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SIPDIS

DEPARTMENT FOR SA, SA/INS, INR/NESA, S/CT

NSC FOR E. MILLARD

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TAGS: [PGOV](#) [PREL](#) [ECON](#) [CE](#) [NO](#) [LTTE](#) [ECONOMICS](#)

SUBJECT: Peace process, economic issues highlighted during SA A/S Rocca's visit to Sri Lanka

Refs: Colombo 795, and previous

(U) Classified by Ambassador Jeffrey J. Lunstead.  
Reasons 1.5 (b,d).

1. (C) SUMMARY: Assistant Secretary for South Asian Affairs Christina B. Rocca visited Sri Lanka, May 13-16. Highlights of the visit included meetings with President Kumaratunga, Prime Minister Rajapakse, Opposition Leader (and former PM) Wickremesinghe, business leaders, and Tamil politicians. A/S Rocca also visited the eastern port city of Trincomalee. During her meetings, A/S Rocca discussed the status of the peace process, as well as economic and development issues. Most interlocutors, including President Kumaratunga, were upbeat about the peace process, and predicted a near-term return to Norwegian-facilitated talks between the GSL and the LTTE. A/S Rocca's visit generated highly favorable press coverage, while serving to reiterate the USG's deep interest in Sri Lanka and our continued strong support for the peace process. END SUMMARY.

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Meetings with GSL Officials

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2. (C) PRESIDENT CHANDRIKA KUMARATUNGA: After a very large photo spray, including TV cameras, the President and A/S Rocca sat down on May 14 to an hour-long discussion on Sri Lanka, its peace process, domestic politics, and the economic situation. They began by discussing the results of India's recent election. The President said she knew Sonia Gandhi well and noted that there had always been a "close personal link" between her Sri Lanka Freedom Party (SLFP) and the Congress Party. In response to a question by A/S Rocca as to whether the new Indian government would support Sri Lanka's peace process, the President said that she did not think the Congress Party's antipathy toward the LTTE would undermine the GoI's support for the peace process.

3. (C) Regarding the peace track, Kumaratunga said she was committed to a three-month timeline to begin talks with the Liberation Tigers of Tamil Eelam (LTTE). (Talks have been on hold since April 2003.) She said the GSL had a "clear stance that whatever the LTTE wants to discuss, we will." She explained her earlier position that talks would focus both on an interim solution and a final solution in parallel, "to hold the LTTE to a commitment to a final solution." The issue of a final negotiated settlement was always a non-starter in the past and the LTTE was still adamant about not discussing it up front, she explained. Therefore she had agreed to the LTTE request that the talks focus only on the LTTE's Interim Self Governing (ISGA) proposal. The President said she was comfortable not discussing the matter of a final negotiated settlement immediately, but, in the meantime, said the GSL would press the LTTE to observe the ceasefire and fully respect human rights.

4. (C) A/S Rocca asked whether the LTTE still hoped an interim agreement would codify a separate state. The President replied that she thought the ISGA proposal was the first step to a separate state, but that the GSL would not agree to that. Later in the discussion, the President said that the ISGA proposal was maximalist in nature. She also felt that the LTTE did not want to go back to war after two years of the ceasefire, as they had "achieved more gains in the past two years than in 18 years of war." Her biggest fear, however, was that the LTTE thought it could intimidate the GSL into agreeing to a separate state. Both A/S Rocca and the President agreed that they hoped for the LTTE to change over time, through more exposure to democratic processes. The President admitted her surprise over eastern rebel leader Karuna's split from the main Tiger organization in March, thinking that it might have stemmed from his exposure to the outside world in the previous six rounds of peace talks and Karuna's feeling that "there might be something better than the bunkers out there." (The LTTE largely crushed Karuna's

rebellion in April. Karuna's whereabouts remain unknown.)

15. (C) A/S Rocca mentioned the upcoming June 1 meeting in Brussels of the Co-chairs of the Tokyo Process. She noted that participants in the meeting would be looking for way to assist Sri Lanka's peace process. The President responded that she hoped to have a meeting with the local co-chair representatives to identify issues and review the GSL's views on pertinent issues. She remarked that there seemed a very good possibility that talks between the GSL and the Tigers could begin in the mid-July/mid-August timeframe. A/S Rocca asked about Foreign Minister Lakshman Kadirgamar's recent comments that the GSL preferred a domestic venue for talks. The President responded that she did not want the talks to turn into a "traveling circus," going from country to country. She said the Tigers had given "acceptable reasons" for not wanting the talks in Sri Lanka, namely the possibility of demonstrations hampering the discussions. Kumaratunga said Europe could be a possible venue, given the poor health of chief Tiger negotiator Anton Balasingham who is based in London. "One European city would be okay, and one without a big Tamil diaspora," Kumaratunga commented. A/S Rocca reiterated that the U.S. wants to do what we can to support peace.

16. (C) Asked about the role of the Marxist Janatha Vimukthi Peramuna (JVP) in her coalition government, the President responded that the group had publicly committed itself to the peace process in the United People's Freedom Alliance (UPFA) alliance document it had signed in January. (Note: The UPFA is the technical term for the grouping of the SLFP and the JVP). Despite its rhetoric before the April 2 election, the group had not made statements against the peace process "at my request," the President said. The JVP would not be part of the GSL delegation to the peace talks. She did say, however, that talks this time around would be "transparent and consultative," not "secretive" like previous rounds.

17. (C) President Kumaratunga felt that all the focus on "others" led the majority Sinhalese community to reject the United National Party (UNP) government and vote the UPFA into power. She was concerned, however, with the "radicalization" of the Parliament, which now had many minority parties, such as the pro-LTTE Tamil group, the JVP, and the Buddhist monk party. This could become very serious if the trend continued as it could lead to the marginalization of the moderate parties. Queried by A/S Rocca on a possible linkup between the SLFP and UNP, the President replied that she had been suggesting it for 10 years, but that former PM and Opposition leader Ranil Wickremesinghe had wanted it only if he was in power. Kumaratunga noted "with the SLFP and UNP, we have 75 percent of the vote in Parliament." While she said she was still in favor of a deal with the UNP, the President admitted it would be "personally difficult for me to work with half of the old Cabinet."

18. (C) A/S Rocca also said she was looking forward to the Millennium Challenge Account (MCA) team coming to begin looking at possible opportunities in Sri Lanka. The President thought it was "wonderful" that Sri Lanka was selected, but that she was apprehensive about Sri Lanka's inclusion on the list, since some of the other listed countries had "poor political practices." At the conclusion of the meeting, Kumaratunga thanked A/S Rocca for continued USG support for the peace process, and said she was waiting to speak to Foreign Minister Kadirgamar about his recent visit to Washington.

19. (C) PRIME MINISTER MAHINDA RAJAPAKSE: Newly-installed Prime Minister Mahinda Rajapakse was pleasant and relaxed during the May 14 meeting. The PM and A/S Rocca briefly discussed the Indian election, with the PM stating that he did not think that India's foreign policy would change too much, especially regarding Sri Lanka. A/S Rocca asked how his government intended to move the peace process forward. The PM was very upbeat in his reply, stating that he felt talks would take place in the near-term. He also placed an emphasis on a renewed focus on relief and rehabilitation efforts in the north and east. To better handle redevelopment work, the PM said that the four separate ministries that currently dealt with rehabilitation matters would be rolled into one ministry that from now on would report directly to the President.

110. (C) A/S Rocca and the PM spoke about Sri Lanka's selection as an MCA country and A/S Rocca confirmed that a U.S. team would travel to Sri Lanka at the beginning of June to begin efforts toward negotiation of a compact. Rajapakse was very interested in the MCA

program, as he thought it would help offset possible unemployment uncertainties that would arise with the end of the Multi-Fiber Agreement and loss of garment quotas. The Ambassador noted that Sri Lanka had the capacity to take business from other countries, not just lose business.

11. (C) Replying to A/S Rocca's question about the new government's fiscal policies, PM Rajapakse replied that the UPFA intended to continue operating under the existing budget. No new budget would be presented until the traditional budget debate later in the year. "Why force a vote in Parliament now?" he stated. In a long monologue on the budget, the peace process, and the unions, the PM said that the working class supported the peace process one hundred percent. Therefore, the UPFA would keep its current economic policies in order to retain working-class support while pushing ahead with peace negotiations with the Tigers. When a final settlement had been reached, then the government would pursue any needed economic reforms. Ambassador Lunstead responded that it was important that economic reforms continue, even if the pace were to slow.

12. (C) Asked about the JVP and its commitment to the peace process, the PM replied that the GSL would keep the group involved in the process. Contrary to the President's approach outlined above, he said he thought the JVP should be included on the GSL's peace talks delegation. This way, the JVP would "discuss peace process issues and not sit out and argue," the PM said. A/S Rocca asked Rajapakse if he thought the JVP would play a constructive role in the discussions. Deflecting the question, the PM said he wanted the JVP involved in negotiations as an educational exercise: "they will learn how difficult negotiations are." Rajapakse felt strongly about the JVP's involvement, stating that others' advice to leave them out of the discussions would be "a disaster."

13. (C) OPPOSITION LEADER RANIL WICKREMESINGHE: In their May 14 meeting, former prime minister Wickremesinghe appeared relaxed and relatively upbeat. He almost seemed relieved that the burden of national problems had been passed to someone else -- i.e., the new government, and he said as much. On the subject of the April 2 parliamentary election, Wickremesinghe asserted that much of the urban middle class had voted for the Buddhist monks of the Jathika Hela Urumaya (JHU) party. "Residents of the shanty town" had remained loyal to the United National Party (UNP), however. He admitted that it was possible that many voters thought the UNP government had ceded too much to the Tigers over the course of the peace process. The lack of a solid "peace dividend" had also hurt the UNP, he thought.

14. (C) Wickremesinghe spoke at length about the new UPFA government and the problems he expected it to have. On the economic front, he did not see how the new government could remain faithful to the former government's budget, since so much of the UNP budget related to privatization -- an economic policy not publicly supported by the UPFA government. Wickremesinghe also felt that the UPFA would have a difficult time trying to obtain a majority in Parliament. "They created their own problem by attacking the JHU monks in Parliament," and had thus jeopardized any possible JHU support of the government, he said. He also felt that the UPFA's current strategy of courting minority party members would not be effective in helping the UPFA gain a majority in Parliament.

15. (C) Asked whether the UNP would support the President on the peace process, the former prime minister had very clear thoughts, noting that the UNP had two concerns: first, the UNP would insist that the JVP publicly state its support for the peace process. There was no point in the government criticizing the UNP and TNA on the peace process if there was dissent within the UPFA alliance. Second, he was distressed about what he termed the GSL's use of the "Karuna faction to hit at the LTTE." Wickremesinghe was quite certain that the Sri Lanka Army had Karuna in custody and that recent attacks in the east had been carried out by Karuna's men, with the army's backing. He alluded to one killing that occurred two days after the President told the Norwegians she had the situation under control. Wickremesinghe felt that the LTTE would not come to the peace talks table if it did not feel that the government was committed to peace. He added that he had been largely cut out of the loop on peace process information, which -- he remarked with some irony -- was a common complaint that President Kumaratunga had when he (Wickremesinghe) was PM.

¶16. (C) Wickremesinghe said the UPFA had internal coordination problems on peace process issues, noting the discrepancies between recent public statements on peace talks by President Kumaratunga and Foreign Minister Kadirgamar. Wickremesinghe also confirmed that he had heard rumors that Finance Minister Sarath Amunugama might lead the GSL team to any negotiations. He also thought that newly named head of the Peace Secretariat, Jayantha Dhanapala, would also be part of

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the team, but added that Dhanapala and Kadirgamar were famous for not getting along, which raised questions about Kadirgamar's possible inclusion on the negotiation team.

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Meeting with Tamil Politicians  
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¶17. (C) A/S Rocca also met on May 14 with members of the generally pro-LTTE Tamil National Alliance (TNA). Joseph Pararajasingham, MP from the eastern district of Batticaloa, R. Sampathan, MP from Trincomalee in the east, and Suresh Premachandran, a MP who is from Jaffna in the north, comprised the group. Sampathan said he was cautiously optimistic about the President's statements promising a swift return to peace negotiations. He said, however, that President Kumaratunga and other GSL officials had sent some mixed messages, which had caused some confusion. All the MPs present emphasized their strong support for the formation of some kind of interim mechanism that would allow rehabilitation and resettlement work to proceed in the north and east.

¶18. (C) Ambassador Lunstead made the point that President Kumaratunga had stated that her first priority was accelerating the pace of relief and rehabilitation in Tamil areas. Sampathan accepted this, but noted that decision-making for such efforts could not be "Colombo-centric." At the end of the meeting, Pararajasingham asked that the U.S. lift its Foreign Terrorist Organization (FTO) ban on the LTTE. A/S Rocca replied that the USG had sent clear signals to the Tigers that if the group wanted the listing to be changed, then they needed to renounce terrorism in both word and deed.

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Business Roundtable  
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¶19. (SBU) During an hour-long business roundtable on May 14, which included representatives from the American Chamber of Commerce, the IT sector, and the tea, banking, garment manufacturing, retail and gem industries, Assistant Secretary Rocca heard the following points:

-- The business community feels "in the dark" regarding the new Government's economic plans and policies, particularly whether or not economic reforms will continue.

-- The garment sector is concerned about the potential loss of jobs following the expiration of the Multi-Fiber Agreement (MFA), and sees improved market access (possibly based on Sri Lanka's notable social compliance record) as a key to stemming job-loss to lower cost producers.

-- An FTA with the U.S. remains desirable; if not possible, however, would there be a possibility of duty-free entry of garments made from U.S. textiles or yarn, via an amendment to customs regulations?

-- The IT sector remains a strong driver for future growth, and Sri Lanka is well placed to serve as a center for business process outsourcing (BPO) operations, or as a back-up center for such operations in India.

-- Improved IPR enforcement will be key to attracting the kind of value-added, "knowledge-work" that can help drive additional growth in the IT sector.

-- USAID support of export-oriented business clusters has been highly successful and should be continued.

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Visit to Trincomalee  
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¶20. (C) A/S Rocca visited the eastern city of Trincomalee on May 15. Highlights of the visit included a military briefing by Major General Susil Tennakoon,

the commander of security forces in Trincomalee District. Tennakoon noted the specific military and security concerns present in the ethnically-mixed Trincomalee District, but overall was upbeat about the current security situation. A/S Rocca also met with Government Agent (GA) for Trincomalee Gamini Rodrigo. Rodrigo noted challenges in administering rehabilitation programs in the district, but was on the whole positive about the pace of reconstruction and aid programs locally. Over a lunch meeting with civil society and NGO contacts, Dagfinn Adnanes of the Norwegian-led Sri Lanka Monitoring Mission (SLMM) noted that at present the situation in Trincomalee was calm, but that reports of intimidation and child recruitment by the Tigers continued to flow in.

¶21. (U) While in Trincomalee, A/S Rocca also visited several USAID/OTI project sites. She presided over a handover of several fishing boats to a local fishermen's society, for example, and also participated in a discussion at a local university where students from a broad cross-section of the country were learning strategies of non-violent communication.

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COMMENT  
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¶22. (C) A/S Rocca's visit generated highly favorable press coverage. Coming right after the recent parliamentary election, it was also well-timed, as it served to punctuate the USG's continued deep interest in Sri Lanka and our strong support for the peace process. The good news is that interlocutors across the board appear to support both the informal process and a timely return to the negotiation track which has been on hold since April 2003. Interlocutors, in fact, predict that talks will probably take place within the next several months. All is not roses, however. Based on comments by TNA MPs, for example, there is a lot of skepticism toward the GSL about its ability to follow through with quick relief and rehabilitation assistance in the volatile north/east. At the same time, as exemplified by Wickremesinghe's remarks, the UNP clearly harbors resentment toward the President about its recent electoral defeat. In light of this, the UNP's degree of support for the UPFA government's peace process plans down the line appears questionable. All that said, interlocutors heard our message that the U.S. believes that all concerned parties need to work together in the national interest toward a negotiated settlement.

¶23. (C) It also became crystal clear during the meeting with the President that public and private comments by Foreign Minister Kadirgamar during his Washington visit on issues such as the ISGA are not in accord with the President's stated policies. This reveals a troubling lack of coordination within the government. Ambassador will see Kadirgamar on the afternoon of May 18 and probe further on this issue. END COMMENT.

¶24. (U) Assistant Secretary Rocca did not have an opportunity to review this message before departing Post.

¶25. (U) Minimize considered.

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